

**POTOMAC AND RAPPAHANNOCK  
TRANSPORTATION COMMISSION**

**RESOLUTION**

**MOTION:** \_\_\_\_\_

**RESOLUTION NO. 10-06-\_\_\_\_\_  
OFFICIAL COMMISSION MEETING  
JUNE 3, 2010**

**SECOND:** \_\_\_\_\_

**RE: AUTHORIZATION TO AWARD A CONTRACT TO CBS OUTDOOR FOR  
EXTERIOR ADVERTISING ON PRTC'S BUS FLEET**

**WHEREAS**, WMATA assented to incorporating PRTC and VRE as mandatory options in a competitive procurement WMATA commenced last year; and

**WHEREAS**, WMATA has completed its competitive procurement and selected CBS Outdoor as its advertising contractor; and

**WHEREAS**, as a result, PRTC can exercise its option to enter into contract with CBS Outdoor for a three (3)-year base period, plus four (4) option years;

**NOW, THEREFORE, BE IT RESOLVED** that the Potomac and Rappahannock Transportation Commission does hereby authorize the Executive Director to award a contract to CBS Outdoor for exterior advertising on PRTC's bus fleet and exercise the options without further Commission approval if he deems this to be in the Commission's self-interest.




Potomac and Rappahannock  
Transportation Commission

14700 Potomac Mills Road  
Woodbridge, VA 22192

June 3, 2010

TO: Chairman May and Commissioners

FROM: Alfred H. Harf   
Executive Director

RE: Authorization to Award a Contract to CBS Outdoor For Exterior Advertising on PRTC's Bus Fleet

Recommendation:

Authorize the Executive Director to award a contract to CBS Outdoor for exterior advertising PRTC's bus fleet.

Background:

As the Commission was previously informed, WMATA agreed to incorporate both PRTC and VRE as mandatory "options" in WMATA's exterior advertising competitive procurement, mirroring what was done in 2000 when the procurement leading to the award of PRTC's and VRE's present contract with CBS Outdoor occurred. PRTC sought this same arrangement based on the belief that the sheer size of WMATA's exterior advertising offering would entice a great deal of interest, and a related belief that PRTC and VRE would fare better by a joint procurement arrangement of this sort rather than trying to competitively procure such services on a stand-alone basis.

WMATA's competitive procurement proved to be a rather fitful process, in large part because the recession has had a major dampening effect on advertising and advertising revenues. Thus the WMATA procurement took significantly longer than expected to be completed, and for a time PRTC management harbored some doubts about whether it would be successfully concluded. Consequently, in February 2010, PRTC management sought and obtained the Commission's authorization to undertake a stand-alone competitive procurement as a contingency plan, with the notion that the stand-alone competitive procurement and the WMATA joint procurement plausibly could proceed in parallel to enhance the prospects for a successful award (and perhaps even allowing for a comparison of the two outcomes to see which is in PRTC's/VRE's best interest).

With the Commission's authorization to undertake a stand-alone competitive procurement in-hand, management ended up deciding to forego it because the likelihood of a successful WMATA outcome improved thereafter. Ongoing news reports about the exterior advertising market also played a part in management's evolving thinking, dashing management's notion that a stand-alone procurement might yield a more favorable result.

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Chairman May and Commissioners

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WMATA's procurement effort is now complete and a contract has been awarded to CBS Outdoor – the incumbent. Both PRTC and VRE are in position to execute individual options to contract with CBS Outdoor for advertising and the action PRTC management is proposing here would authorize PRTC to do so for its option (VRE management will separately decide whether to recommend the exercise of the VRE option, seeking approval to do so as necessary).

PRTC's contract will be for a three (3) year base period plus four (4) option years for a total of up to seven (7) years. This is a significantly shorter duration than WMATA's original procurement envisioned -- the end result of a mid-course adjustment that WMATA made to its procurement specification because the advertising market is still recovering (slowly). WMATA reasoned that by shortening the duration of the prospective contract, it would position itself to competitively procure again sooner if the market improves as expected. The PRTC and VRE options were structured to mirror WMATA's "contract term" provisions for the same reasons.

Under the terms of the prospective contract with CBS Outdoor, CBS will pay PRTC 50% of annual net billings over the life of the contract. Unlike the existing contract with CBS Outdoor, the prospective contract does not include a "minimum annual guarantee", and thus the prospective contract is certain to yield significantly less revenue compared to the current contract (the "minimum annual guarantee" has for years been substantially more than what PRTC would have earned on a "percentage of net billings" basis), reflecting the current market conditions. The new contract will be effective July 1, 2010.

Fiscal Impact:

Management anticipated a revenue reduction when fashioning the proposed FY 2011 budget and five year plan. It remains to be seen, however, whether PRTC's lowered anticipated revenue yield will materialize, so a further adjustment may be necessary. Any such adjustment will occur at mid-year, when partial year actual results are known.